

C R (Cal) Carrington
Director — Federal Regulatory Matters

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June 22, 1994

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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street N.W.
Washington, D. C. 20554

Re: GEN Docket No. 90-314, RM-7140, RM7175 and RM-7618

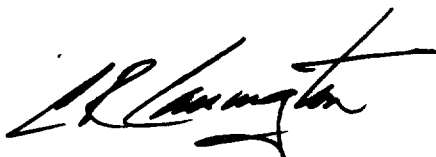
Dear Mr. Caton:

On Tuesday afternoon, June 21, 1994, Messrs. R. Berger and M. Hanly, Ms. J. Nethersole and I, representing NYNEX Corporation, met with Messrs. W. Kennard, R. Haller, J. Cohen and Ms. S. Seidman, of the Office of General Counsel and the Commission's PCS Task Force, to discuss issues in the above referenced proceedings.

The attached material served as the basis for the meeting's discussion. The positions expressed during the meeting were consistent with those previously set forth by NYNEX in pleadings filed with the Commission in connection with the above proceedings

Questions regarding these matters should be directed to me at the number or address shown above.

Sincerely,



Attachment

cc: W. Kennard
R. Haller
J. Cohen
S. Seidman



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Marketplace Interdependencies

Technology and Finance

NYNEX Corporation
PCS Development Group
June 21, 1994

Values for PCS Licenses Are Highly Interdependent

- For bidders seeking to acquire more than a single license in the PCS auction the interrelationship between licenses is of major concern.
- The opportunity for service providers to assemble market clusters is critically important to the development of PCS.
- Clustered markets provide greater operating efficiency for the service provider due to economies of scale and scope.
- Clustered markets provide more utility for the user through seamless service offerings.
- The Commission should be cautious regarding how its rules affect a bidder's ability to realize the full benefit of market interdependencies.
- Interdependency values are in the eye of the beholder.

Interdependence Management Is Sensitive to Auction Design

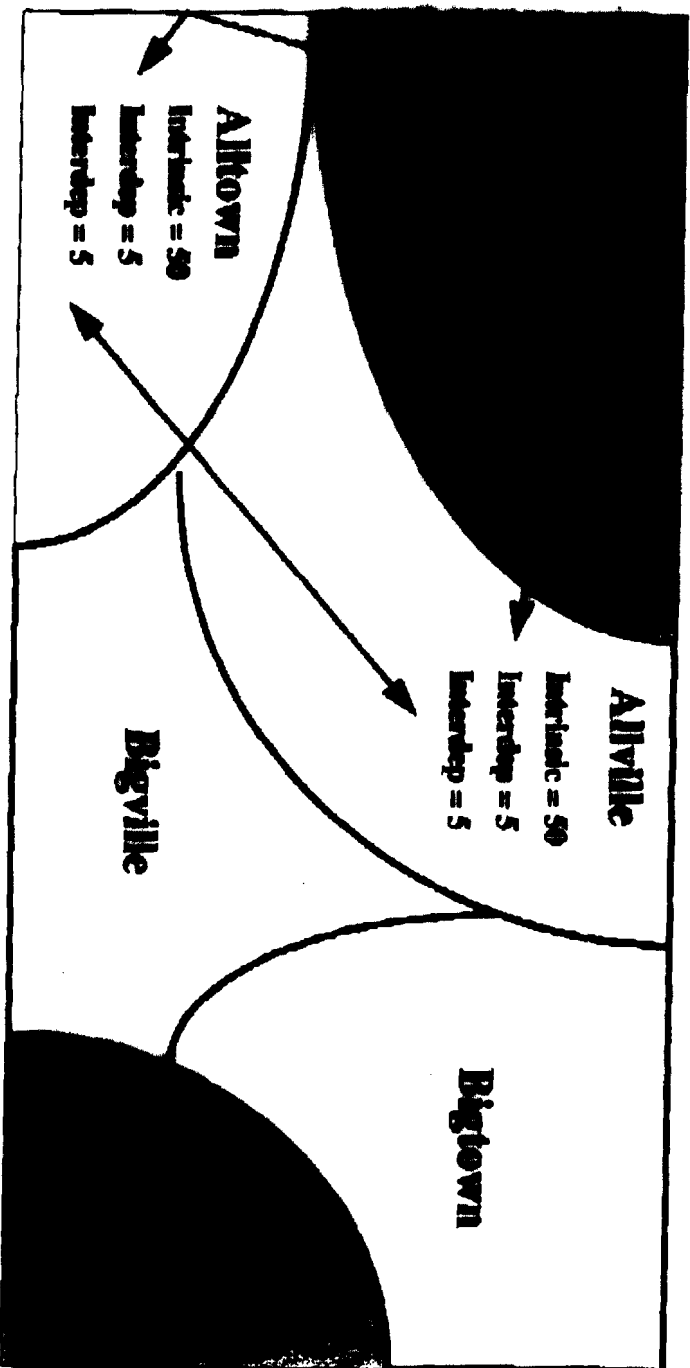
- The potential for bidders to emerge with a “Patchwork” of markets raises the riskiness of an already risky undertaking.
- The potential for unexpected results adds an additional element of uncertainty and makes it more difficult to build market clusters.

All features of auction design, including preferences for Designated Entities, could affect value relationships between markets.

Auction Design

- Purely simultaneous auctions are more efficient than sequential auctions because they reduce the need for bidders to guess about the outcomes of later auction rounds.
- We understand the Commission's concern regarding the managability of a pure simultaneous auction.
- If a purely simultaneous auction is not feasible, the Commission should choose the auction method which involves the least risk for bidders.

A Sample PCS Auction



Major Markets



Minor Markets

Managing License Interdependency Values Simultaneous vs. Sequential Auctions

- Allburg has strong communities of interest with Alltown and Allville and Bigburg has strong communities of interest with Bigtown and Bigville.
- Grouping Allburg together with Allville & Alltown in one simultaneous auction and grouping Bigburg with Bigville & Bigtown in another simultaneous auction, seems to minimize bidding risk.
- Alternatively, grouping Allburg & Bigburg in one auction and Alltown, Allville, Bigtown and Bigville together in second auction series could raise bidding risk.
- Values for Allburg and its related markets reflect the following:

Values	Intrinsic	Interdep	Total
Allburg	\$ 100	\$ 20	\$ 120
Alltown	50	10	60
Allville	<u>50</u>	<u>10</u>	<u>60</u>
Total Cluster	\$ 200	\$ 40	\$ 240